



March 20, 2020

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 Clinton Avenue, 9th Floor
Trenton, New Jersey 086258-0350

Re: Successor Program March 20 Comments

Dear Ms. Camacho-Welch:

NJR Clean Energy Ventures (“NJRCEV”) appreciates the opportunity to comment on the questions issued by Staff on the solar successor program design. We have organized our responses below consistent with the categories defined by Staff.

1) Incentive Structure:

- Incentives should continue to be performance-based, with a fixed incentive value based on the MWh produced, as reflected in the current structure of the TREC program. In our view, the TREC should be leveraged in the successor program given the significant Staff and stakeholder effort involved in developing and implementing this incentive structure.
- The Successor Program can build on and improve the current TREC structure in several ways, including by:
 - incorporating explicit adjustments to incentives to reflect expected changes to the Investment Tax Credit (ITC). These adjustments can be calculated prospectively based on current policy and modified as necessary if that policy changes;
 - extending incentive terms to 20-25 years to better match the useful solar economic life and spread costs to ratepayers commensurate with the benefits delivered by solar; and
 - adding new factors for new categories including floating solar and battery storage, and establishing a streamlined, transparent process to petition the Board for TREC factors for new, innovative projects.
- Administratively determined incentives are workable, provided the BPU is well informed by active market participants in the State on the key cost and revenue drivers of solar project economics.

2) Program Targets:

- The Successor Program should be designed to support multiple (3-5) years of project development. If the program spans 5 years, we would recommend the BPU provide for a comprehensive interim program review process to accommodate changing market and policy conditions.

- A total program goal of 1.5 - 2.5GW is consistent with the solar growth objectives of the Energy Master Plan, and the 400 - 500MW historical installation solar experienced over the past several years. The total program goal would serve as a total capacity cap for the program, requiring the BPU to be ready to launch a new program when the program cap is achieved.
- In a multi-year program, prescribed changes to incentives reflecting best estimates of cost trends should be incorporated into the program design. Changes to incentives can be triggered by calendar, market activity (i.e. capacity), or known events (i.e. phased reductions in ITC). In advance of planned incentive changes taking effect, the BPU should establish a timely process to review and, as necessary, modify the initially defined incentive levels.

3) Grid Supply Solar: The Successor Program will need to support large-scale project development to meet the aggressive goals of the Energy Master Plan. Specific issues related to large-scale project development are highlighted below:

- Solar Act Grid projects:
 - Subsection-T landfill projects remain viable for future development and are supported with the 1.0 TREC factor approved by the Board. With many technical and permitting complexities, landfills have comprised an average of about 25MW of installations per year, and are likely to remain a relatively small share of the New Jersey market.
 - Even if new capacity were to be made available, Subsection-R grid ground-mounted projects will be difficult to develop given low wholesale energy rates and the currently approved TREC factor of only 0.6. The TREC factor will need to be increased to support development of these projects. In addition, there will need to be a consistent mechanism for project approvals to reduce the development risk and uncertainty experienced by these projects in the past.
- The new grid rooftop category provided in the TREC program is a positive addition to stimulate development on sites otherwise limited by net metering requirements. Given that these projects are TREC eligible, the BPU should clarify that these do not require any special Board approval and designation as “connected to distribution,” which should reduce development risk, timelines and cost. The BPU can further streamline development with support from EDCs by encouraging a streamlined interconnection process.
- We believe the TREC factors can be extended to support any size project in the State without the need for a separate competitive auction process for larger scale projects. As the most densely populated state in the nation with limited open space, to-date New Jersey only has 15 projects larger than 10MW. Projects over 10MW can be accommodated within the TREC structure, with factors adjusted for larger project sizes as warranted by project economics.
- Additional large-scale development opportunities are possible by opening more capacity in the community solar program (now limited to 75MW per year), along with providing EDC credit enhancement in that program to support the target low-to-moderate income customer base. In addition, municipal public net metering projects provided for in the Clean Energy Act can support

large-scale development if rules are adapted to permit systems to be sized to meet aggregate, annual site load rather than average site load as is currently the case.

- Large-scale project development will require support and commitment from the BPU, the State, and EDCs to resolve closed and constrained circuits, streamline and reduce interconnection time and cost, and provide for more land-use flexibility. We support exploring the opportunity to permit dual-use projects on agricultural land. These projects can serve as a long-term land conservation tool and alternative to permanent development, provide financial support to farmers, and complement sustainable farming practices.

While not raised by Staff in their questions, we reiterate our views expressed in Staff's recent cost cap proceeding that energy, capacity, grid, and environmental benefits of solar should be credited against all solar incentives in calculating compliance with the cost caps. This is an important first step towards transitioning longer term to compensation structures that more explicitly incorporate the value delivered by solar.

NJRCEV appreciates the opportunity to comment on the solar successor program and looks forward to continuing its work with Staff and stakeholders on this matter.

Sincerely,

DocuSigned by:
Lawrence Barth
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Larry Barth
Director of Corporate Strategy
New Jersey Resources

Cc: Mark Valori, VP of Clean Energy Ventures
Chris Savastano, Managing Director of Development
Robert Pohlman, Chief of Staff to the President